



OFFICE OF
INSURANCE COMMISSIONER

March 6, 2006

The Honorable Patty Murray
United States Senate
173 Russell Senate Office Bldg.
Washington, DC 20510

RE: Health Insurance Marketplace Modernization and Affordability Act of 2005
S.1955 – Senators Enzi and Nelson

Dear Senator Murray:

My office has been participating through the National Association of Insurance Commissioners (NAIC) to influence the outcome of this legislation. While we recognize that there have been improvements made to the draft, our most serious concerns, primarily over the rating mechanism, have not been addressed and I would urge you to oppose this bill in its current form.

I believe the bill as written does not solve the problem of affordability, but rather adds to it. For example, the proposed small group rating mechanism will result in a serious disruption of the small group marketplace, if not its total collapse, and will trigger serious problems, such as increased rates for many consumers.

If enacted in its present form, it is my primary concern that the bill will result in further fragmentation of Washington's already fragile small group market. Rates will likely become unaffordable for those who need it the most, due to the cumulative impact of additional case characteristic factors permitted by the legislation. Washington State currently limits the factors that may be used to develop community rates in the small group market. **Application of the factors permitted under the proposed legislation will increase rates paid by consumers, two or threefold over what they currently pay in Washington.**

I am also concerned that, if enacted, the bill will do the following:

- Result in risk selection against the high option plans that will result in unaffordable insurance for those consumers;
- Result in the proliferation of health plans that do not cover basic and preventative services such as annual physicals, mammography, colonoscopies, diabetic care services and supplies, newborn coverage and other documented positive therapies; and
- Result in consumers losing protections that they have today against unfair claims handling practices.

The Honorable Patty Murray
March 6, 2006
Page 2

It is significant to note that the State of New Hampshire moved from a community rating system to the NAIC's 1993 Model Rating Law four years ago. It was subsequently forced to repeal the NAIC '93 model and return to the community rating system because rates skyrocketed over a two-year period. S.1955, in its current form, adopts the NAIC '93 Model. It is critical that we recognize and learn a lesson from this real-life example and not adopt this failed model.

Our nation's health care system is under great stress. Insurance, as the financing vehicle for health care services, is only one component of the system. The main problem of our health care system is runaway inflation in health care costs. Businesses and families are reeling under the pressure imposed by these costs, and many are exiting the system as a result. S.1955, as amended, does not address this critical issue, and as such, does not address the issue of access to affordable health insurance.

We all know that the current health insurance system is seriously flawed and on life support. Yes, we must act, but doing something that will make the problem worse is not the solution. As drafted, this legislation poses too many risks with no promise of improving accessibility or affordability. I urge you, in order to best serve the citizens of this state, to actively oppose this legislation.

Sincerely,

A handwritten signature in cursive script, appearing to read "Mike Kreidler".

Mike Kreidler
Insurance Commissioner